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**City of Detroit**  
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: October 9, 2023

RE: Establishment of a **Neighborhood Enterprise Zone (PA 147 of 1992)**, as requested  
by **Real Estate Interests, LLC**

**Neighborhood Enterprise Zone Act (Public Act 147 of 1992)**

The Neighborhood Enterprise Zone Act (NEZ), PA 147 of 1992, as amended, provides for the development and rehabilitation of residential housing located within eligible distressed communities. New and rehabilitated facilities applications are filed, reviewed, and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division. The State Tax Commission (STC) is responsible for final approval and issuance of new and rehabilitated facility certificates. Exemptions for new and rehabilitated facilities are not effective until approved by the STC.

By statute, every NEZ must contain not less than 10 platted parcels of land that are compact and contiguous. The statute allows for an exception if a NEZ is in a *downtown revitalization district*. In a downtown revitalization district,<sup>1</sup> a NEZ may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities.

In 2008, **the NEZ Act was modified by Public Acts 204 & PA 228** to allow a neighborhood enterprise zone located in a "qualified downtown revitalization district" to contain fewer than 10 platted parcels if the platted *parcels* together contain 10 or more *facilities*. The Act as modified, defines "qualified downtown revitalization district" as an area located within the boundaries of one or more of the following:

- A downtown district, as defined in the Downtown Development Authority Act.<sup>2</sup>

<sup>1</sup> As defined in Section 2 (k) MCL 207.772

<sup>2</sup> PA 197 of 1975, MCL 125.1651 - 125.1681

- A principal shopping district or a business improvement district as defined in the principal shopping district Act (BID Act).<sup>3</sup>
- An area of the local unit zoned and primarily used for business, as determined by the local governmental unit.<sup>4</sup>

**Real Estate Interests, LLC NEZ**

**Real Estate Interests, LLC**,<sup>5</sup> is the project developer and the owner of the 2 story vacant structure, originally constructed as an office building in 1952 at **16621 E. Warren**, consisting of 25,796 square feet, with a proposed area of 0.467 acres of land in the requested NEZ district, located in the East English Village area of Detroit, which is proposed for a NEZ.<sup>6</sup> The developer plans to develop the building into a mixed-use<sup>7</sup> structure. The building was primarily utilized as an Arthur Murray dancing studio in the 1950s.<sup>8</sup> The building has been unoccupied and vacant for over five years. The current requested NEZ is only for the *residential* element of the project.

If approved by Council, the project will involve the developer adding a new 3<sup>rd</sup> story to the existing 2-story building, to facilitate the development of 32 residential apartment units on the second and third floors, for a total of 25,608 square ft. of residential space. In addition, the finished structure will have a total of 14 dedicated parking spaces created beneath the 2nd story, by removing the rear northern most portion of the ground floor.<sup>9</sup> The development is intended to be highly affordable with rental rates for 25% of the units set at 60% AMI and 100% of the units below 120% AMI. The developer is also seeking the approval of a Commercial Rehabilitation (PA 210 of 2005) tax abatement, exclusively for the ground floor retail *commercial* elements of the project, which will be addressed in a separate series of public hearings.

**Building Use**

Total Square Footage (SF)	35,672
Residential SF	17,752
Common Area SF	10,020
Retail SF	7,900
Industrial SF	N/A
<b>Total Residential Units</b>	32 Units (17 Affordable) (53.1%)
Studios	14 Units; 14 Affordable; 453 Avg. SF; \$1,140/Mo. Avg. Rent
1-Bed	16 Units; 2 Affordable; 630 Avg. SF; \$1,591/Mo. Avg. Rent
2-Bed	2 Units: 1 Affordable: 757 Avg. SF: \$1,915/Mo. Avg. Rent
3-Bed	N/A

**DEGC Property Tax Abatement Evaluation**

**The Arthur Murray – 16621 E. Warren**  
 Developer: Real Estate Interests, LLC  
 Principals: Emery Matthews

<b>Description of Incentive:</b> Neighborhood Enterprise Zone, <b>PA 147 of 1997 as amended</b> – Current taxes frozen at pre-rehab construction values. Local taxes abated for up to 15 years, with a phase out period in years 13-15.	
<b>Request Type</b>	<b>PA 147 NEZ District</b>

<sup>3</sup> Principal shopping Districts and Business Improvements Districts Act 120 of 1961, MCL 125.981 - 125.990n  
<sup>4</sup> Under the DDA Act, "downtown district" means that part of an area in a business district.  
<sup>5</sup> **Real Estate Interests, LLC:** <https://re-interests.com/>  
<sup>6</sup> The rationale for creating NEZ projects under PA 147 of 1992, as amended, must be based on the anticipation of market value added to the neighborhood upon completion of new construction and/or significant rehabilitation of existing housing stock. Assessor’s Letter dated August 28, 2023 (See attached)  
<sup>7</sup> A **mixed-use development** is a type of urban development that blends residential, commercial, cultural, institutional, or industrial uses.  
<sup>8</sup> The four designated retail spaces were on the ground floor, while the dancing facilities were on the second story.  
<sup>9</sup> Assessor’s Letter, dated, August 28, 2023 (attached)

DEGC Recommendation	Approval of PA 147 NEZ District – 15 Years
<b>Location</b>	
Address	16621 E. Warren
City Council District	District 4
Neighborhood	East English Village
Located in HRD/SNF Targeted Area	East Warren / Cadieux
<b>Building Use</b>	
<b>Total Square Footage (SF)</b>	<b>35,672</b>
Residential SF	17,752
Common Area SF	10,020
Retail SF	7,900
Industrial SF	N/A
<b>Total Residential Units</b>	<b>32 Units (17 Affordable)</b>
Studios	14 Units; 14 Affordable; 453 Avg. SF; \$1,140/Mo. Avg. Rent
1-Bed	16 Units; 2 Affordable; 630 Avg. SF; \$1,591/Mo. Avg. Rent
2-Bed	2 Units: 1 Affordable: 757 Avg. SF: \$1,915/Mo. Avg. Rent
3-Bed	N/A
<b>Project Description</b>	
<p>In the fourth quarter of 2023, REI will begin the renovation of the existing vacant 2-story structure located 16621 E. Warren in Detroit, Michigan. Known as The Arthur Murray, the building was constructed sometime in the early 1950s for use as an Arthur Murray dance instruction studio. Dancing facilities were located on the 2nd floor while retail uses occupied the four dedicated suites on the ground floor.</p> <p>REI intends to convert the building into 32 residential apartments with 8,000 square feet of ground floor commercial space. The development is intended to be highly affordable with rental rates for 25% of the units set at 60% AMI and 100% of the units below 120% AMI.</p>	
<b>Sources and Uses of Capital Summary</b>	
Total Investment	<b>\$14,837,703</b>
Sources	Senior Lender - \$6,928,000 (47%) Grants/Sub Debt - \$7,109,850 (48%) Cash Equity Owner – \$800,000 (5%)
Uses	Acquisition - \$600K (4%); Hard Costs - \$11.1M (75%); Soft Costs - \$3.1M (21%)
<b>Project Economic Benefits Summary</b>	
Estimated Jobs (FTE/Construction)	0 FTE/36 Construction (NEZ only - 72 Total)
Estimated City benefits before tax abatement	<b>\$944,083</b>
Total estimated City value of abatement	<b>\$262,523</b>
Less cost of services & utility deductions	<b>\$308,127</b>
Net Benefit to City with abatement	<b>\$373,433</b>

**City of Detroit Gross Benefits Summary over the First 15 Years (Prior to Abatement)**

	Amount
Real Property Taxes, before abatement	\$324,633
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$0
Municipal Income Taxes - Indirect Workers	\$0
Municipal Income Taxes - Corporate Income	\$0
Municipal Income Taxes - Construction Period	\$35,628
Municipal Income Taxes - New Res. Inhabitants	\$227,868
Utility Revenue	\$131,153
Utility Users' Excise Taxes	\$32,041
State Revenue Sharing - Sales Tax	\$880
Building Permits and Fees	\$43,793
Miscellaneous Taxes & User Fees	\$148,087
<b>Subtotal Benefits</b>	<b>\$944,083</b>
Cost of Providing Municipal Services	(\$176,974)
Cost of Providing Utility Services	(\$131,153)
<b>Subtotal Costs</b>	<b>(\$308,127)</b>
<b>Net Benefits</b>	<b>\$635,956</b>

**Impacted Taxing Units: Incentive Summary over the First 15 Years**

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$944,083	(\$308,127)	(\$262,523)	\$0	\$0	\$373,433
Wayne County	\$102,041	(\$20,752)	(\$63,377)	\$0	\$0	\$17,911
Detroit Public Schools	\$1,198,527	(\$868,431)	(\$225,235)	\$0	\$0	\$104,862
State Education	\$58,000	\$0	(\$44,982)	\$0	\$0	\$13,017
Wayne RESA	\$52,466	\$0	(\$40,690)	\$0	\$0	\$11,775
Wayne County Comm. College	\$31,129	\$0	(\$24,142)	\$0	\$0	\$6,986
Wayne County Zoo	\$959	\$0	(\$744)	\$0	\$0	\$215
Detroit Institute of Arts	\$1,920	\$0	(\$1,489)	\$0	\$0	\$431
<b>Total</b>	<b>\$2,389,124</b>	<b>(\$1,197,310)</b>	<b>(\$663,182)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$528,631</b>

**DEGC Chart of Taxes Before, During & After the Incentive<sup>10</sup>**

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$1,738	\$1,741	\$18,248
Library	\$278	\$278	\$2,919
Wayne County	\$479	\$480	\$5,030
Detroit Public Schools	\$1,804	\$1,807	\$18,936
State Education	\$360	\$361	\$3,782
Wayne RESA	\$326	\$326	\$3,421
Wayne County Comm. College	\$193	\$194	\$2,030
Wayne County Zoo	\$6	\$6	\$63
Detroit Institute of Arts	\$12	\$12	\$125
<b>Total</b>	<b>\$5,197</b>	<b>\$5,205</b>	<b>\$54,553</b>

Charts courtesy of DEGC

<sup>10</sup> Existing Annual Taxes: \$5,197 - New Annual Taxes DURING the Incentive: \$5,205 & Taxes after the Incentive EXPIRES: \$54,553

## Conclusion

The investment in this project is estimated at **\$14,837,703**. The abatement is projected to be worth a tax savings of **\$1,197,310** for the developer. The estimated investment and new residents are projected to produce a positive cost benefit to the City of Detroit of **\$373,433** and over **\$528,631** to all the impacted taxing units, in addition to 36 (NEZ only -72 total) temporary construction jobs and 32 new housing units. The result of this finished project revitalizes a building that has been blighted and abandoned for five years in the neighborhood, and provides it a benefit, by returning a distressed property to a productive use, as a residential/commercial investment in the community.

### NEZ Acreage Status:<sup>11</sup>

**NEZ allocations are limited by state statute:** *“The total acreage of the neighborhood enterprise zones containing only new facilities or rehabilitated facilities, or any combination of new facilities or rehabilitated facilities designated under this act shall not exceed 15% of the total acreage contained within the boundaries of the local governmental unit.”*<sup>12</sup>

**Total acreage available (15% of Detroit acreage): 13,239.00**

**Real Estate Interests, LLC NEZ: 0.47 acres**

**Total Acreage for the Entire city of Detroit: 88,260**<sup>13</sup>

**Total Acreage Remaining 7,558.44**<sup>14</sup>

**Total Acreage Designated 5,680.56**<sup>15</sup>

Please contact us if we can be of any further assistance.

**Attachment:** August 28, 2023 - Letter from Finance Assessors

cc: Auditor General’s Office  
Donald Rencher, Chief of Services and Infrastructure  
Antoine Bryant, Planning and Development Department  
Julie Schneider, HRD  
Veronica Farley, HRD  
Stephanie Grimes Washington, Mayor’s Office  
Gail Fulton, Mayor’s Office  
Malik Washington, Mayor’s Office  
Kenyetta Bridges, DEGC  
Jennifer Kanalos, DEGC  
Brian Vosburg, DEGC

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<sup>11</sup> This is a ballpark estimate by LPD, based on current available data.

<sup>12</sup> MCL 207.773 (2)

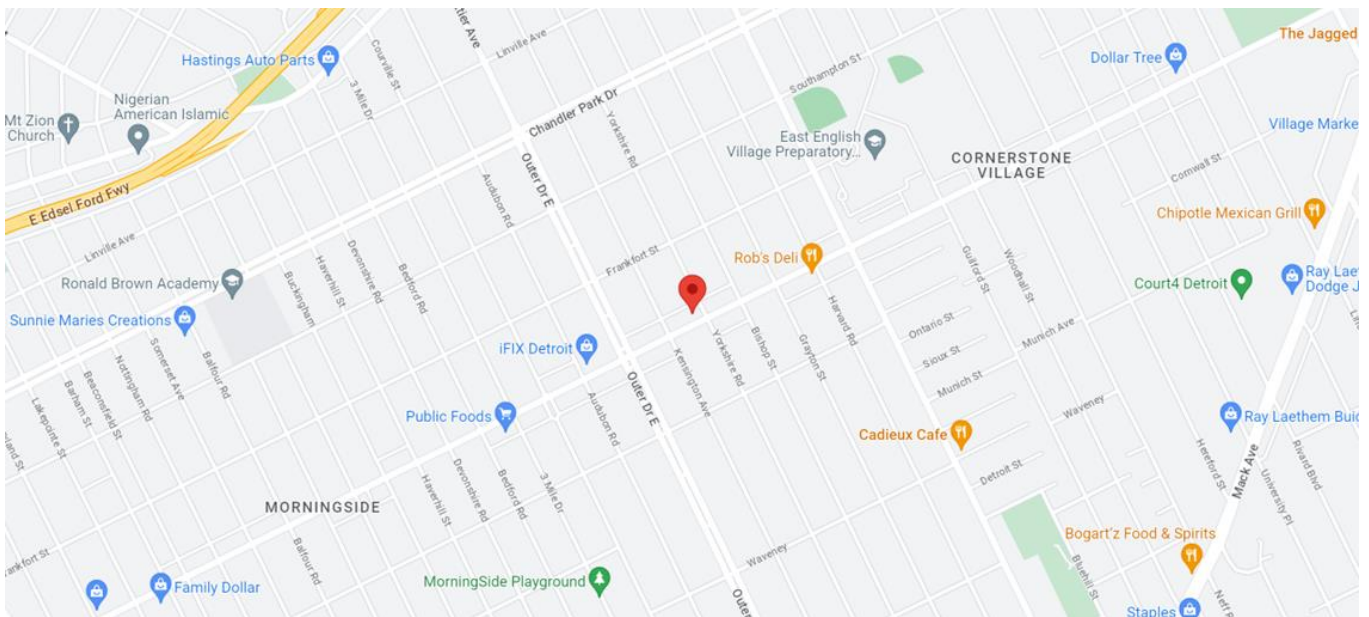
<sup>13</sup> 88,260 Acres = 137.90625 Square Miles

<sup>14</sup> 57% of total NEZ acreage remaining (9% of the total acreage of the entire city of Detroit)

<sup>15</sup> 43% of total NEZ acreage designated (6% of the total acreage of the entire city of Detroit)



**Current view of 16621 E. Warren**



**Map of Area<sup>16</sup>**

<sup>16</sup> Current view of 16621 E. Warren and Map of Area courtesy of DEGC



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
OFFICE OF THE ASSESSOR

COLEMAN A. YOUNG MUNICIPAL CENTER  
2 WOODWARD AVE., SUITE 824  
DETROIT, MI 48226  
PHONE: 313•224•3011  
FAX: 313•224•9400

August 28, 2023

Mr. Antoine Bryant, Director  
Planning & Development Department  
Coleman A. Young Municipal Center  
2 Woodward Ave, Suite 808  
Detroit, MI 48226

RE: **Neighborhood Enterprise Zone – Real Estate Interests, LLC**  
Property Address: 16621 E. Warren  
Parcel ID: 21002904-6.  
Property Owner: Real Estate Interests LLC

Dear Mr. Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the proposed **Neighborhood Enterprise Zone**, located at 16621 E. Warren, submitted by Real Estate Interests, LLC for the neighborhood located in the **East English Village** area of the City of Detroit.

The rationale for creating NEZ projects under PA 147 of 1992, as amended, must be based on the anticipation of market value added to the neighborhood upon completion of new construction and/or significant rehabilitation of existing housing stock.

The district amendment as proposed by **Real Estate Interests LLC** consists of one 2 story vacant structure, originally built as an office building, consisting of 25,796 square feet and built in 1952. The developer intends to develop a portion of the structure into 32 residential apartment units on floors two and three with approximately 25,608sf square feet of residential space. This will be accomplished by adding a new 3<sup>rd</sup> story to the existing 2-story building. The finished facility will have a total of 14 dedicated parking spaces created beneath the 2<sup>nd</sup> story by removing the rear, northern most portion of the ground floor. The current True Cash Value of the proposed area is \$459,358 and contains approximately 0.467 acres of land. The True Cash Value of this area would be expected to increase due to the rehabilitation of this project.

Per MCL 207.772 Sec 2 (g) "New facility" means 1 or both of the following:

(i) A new structure or a portion of a new structure that has as its primary purpose residential housing consisting of 1 or 2 units, 1 of which is or will be occupied by an owner as his or her principal residence. New facility includes a model home or a model condominium unit. New facility includes a new individual condominium unit, in a structure with 1 or more condominium units, that has as its primary purpose residential housing and that is or will be occupied by an owner as his or her principal residence. Except as provided in subparagraph (ii), new facility does not include apartments.

(ii) A new structure or a portion of a new structure that meets all of the following: (A) Is rented or leased or is available for rent or lease. (B) Is a mixed-use building or located in a mixed-use building that contains retail business space on the street level floor. (C) Is located in a qualified downtown revitalization district.

Per MCL 207.773 Sec. 3. (1) The governing body of a local governmental unit by resolution may designate 1 or more neighborhood enterprise zones within that local governmental unit. Except as otherwise provided in this subsection, a neighborhood enterprise zone shall contain not less than 10 platted parcels of land.



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Neighborhood Enterprise Zone  
Real Estate Interests LLC  
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A Neighborhood Enterprise Zone located in a qualified downtown revitalization district may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities. All the land within a neighborhood enterprise zone shall also be compact and contiguous. Contiguity is not broken by a road, right-of-way, or property purchased or taken under condemnation if the purchased or condemned property was a single parcel prior to the sale or condemnation.

Upon review, it has been determined that this proposed district located in the **East English Village** is eligible for designation as a Neighborhood Enterprise Zone per PA 147 of 1992, as amended.

Sincerely,

Charles Ericson, MMAO  
Assessor, Board of Assessors





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Neighborhood Enterprise Zone  
Real Estate Interests LLC  
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Parcel: 21002904-6.  
Address: 16621 E. Warren  
Property Owner: Real Estate Interests LLC  
Legal Description: N E WARREN 193 THRU 191 EASTERN HEIGHTS LAND COS SUB L48 P23 PLATS, WCR 21/716  
72&73 S 31.85 FT ON E LINE BG S 30.96 FT ON W LINE 74 GROSSE PTE VILLAS SUB L36 P56 PLATS, W C R 21/422  
179.53 IRREG

